



FINANCIAL INSTITUTIONS TODAY

News and topics of interest to financial institutions regulated by the Department of Banking and Finance

July 2017

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Important Notice: From Thursday, August 17th at 5:00 pm through Monday, August 21st at 6:00 am, the Department's network will undergo scheduled maintenance. During this time, the Department's phone system, e-mail system, and certain sections of our website will not be accessible. Please visit <https://dbf.georgia.gov> for updates.

Debts Previously Contracted: Other Real Estate Owned

Recently revised Department Rule 80-1-10.09 (1) clarifies that all assets acquired through foreclosure or in lieu of foreclosure shall be initially appraised six months prior or three months following the acquisition. The Rule also allows properties with a value of up to \$250,000 or two percent of statutory capital base (whichever is greater) to be evaluated by a qualified officer as long as the evaluation is made in conformance with Interagency Appraisal and Evaluation Guidelines.

At least annually, the Board should review and approve the appraisals of other real estate owned (OREO) as part of its responsibilities under O.C.G.A. §7-1-263(1). The Board's review of the appropriateness of the existing appraisal should be based on a number of factors including, but not limited to, volatility of the local market, limited or over supply of competing properties, and changes in underlying economic and market assumptions, along with other factors detailed in the Rule. The Board's assessment should be documented to support the determination that the current appraisal is either appropriate or no longer reliable. In the event it is determined that the initial appraisal remains valid, appraisals shall be performed at intervals of not more than five years.

It is worth emphasizing that O.C.G.A. §7-1-263 requires written, Department approval for a bank to hold a parcel of real estate more than five years from acquisition. In addition, Rule 80-1-10.09 (5) was enacted to clarify that a bank may make permanent capital improvements to other real estate holdings if the improvements are: reasonably calculated to reduce any shortfall between the property's fair market value and the bank's investment in the property; not made for the purpose of speculation; and consistent with safe and sound banking practices.

Real estate is by its nature illiquid. High levels of OREO and ineffective disposal strategies can negatively affect liquidity and earnings. With few exceptions, real estate sales in Georgia have improved from an oversupplied, challenging environment. However, given the risks associated with elevated levels of OREO holdings, the Department expects meaningful efforts to determine market value as well as timely disposal of properties. A bank must make diligent and ongoing efforts to dispose of each parcel of OREO and maintain documentation adequate to reflect those efforts.

Generally, Rule 80-1-10-.09 (2) provides transparency into the factors that the Department will consider when evaluating requests to hold OREO, including marketing efforts to dispose of the asset in the past, marketing efforts to dispose of the asset during the extension period requested, a copy of the most recent appraisal, and a statement about carrying costs and income generated. As a reminder, Rule 80-1-10-.09 (3) specifically states that extensions will not be granted for income purposes. Extension are not automatically granted by the Department, and if granted, may be limited based on the factors that contributed to the need for an extended holding period.

Any questions may be submitted to Supervisory Manager Mathew Robinson at (770) 986-1627 or MRobinson@dbf.state.ga.us.

Tools for Financial Caregivers in Georgia (Webinar on August 22)

The Consumer Financial Protection Bureau's Office for Older Americans has created [Managing Someone Else's Money](#) guides with information and resources specific to Georgia to help financial caregivers in Georgia. Join a [free webinar](#) on **August 22** to learn more about these guides and how you can help people acting as financial fiduciaries for older adults and adults with disabilities.

Implementation of "S" Rating Component for Credit Unions

The Department recently communicated the implementation of the Sensitivity to Market Risk, or "S", component to be evaluated separately from the Liquidity component with examinations beginning after January 1, 2018. As the analyses of liquidity and sensitivity to market risk each grow in complexity and importance, assigning each component its own rating is appropriate and more transparent. The "S" component of the CAMELS rating system specifically addresses the degree to which interest rate changes can adversely impact earnings or capital adequacy. The "S" component also focuses on the ability to measure, monitor, and manage interest rate risk (IRR) exposure. The quality of management information systems and management expertise must be commensurate with risk exposure.

The implementation of this change will not increase burden for credit union staff or result in any additional examiner expectations. Extensive National Credit Union Administration (NCUA), Federal Financial Institutions Examination Council (FFIEC), and Interagency guidance from the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board (FRB), and Office of the Comptroller of the Currency (OCC) has been issued which outline expectations for overseeing an effective IRR program. The following list highlights a sample of existing regulatory guidance for managing IRR:

NCUA

- LCU 16-CU-08 Revised Interest Rate Risk Supervision
- LCU 12-CU-11 Interest Rate Risk Policy and Program Frequently Asked Questions
- LCU 10-CU-06 Interagency Advisory on Interest Rate Risk Management
- LCU 03-CU-15 Real Estate Concentrations and Interest Rate Risk Management for Credit Unions with Large Positions in Fixed-Rate Mortgage Portfolios
- LCU 03-CU-11 Non-Maturity Shares and Balance Sheet Risk
- LCU 01-CU-08 Liability Management – Highly Rate-Sensitive & Volatile Funding Sources
- NCUA Rules and Regulations §741.3(b)(5) ("IRR Rule")
- NCUA Rules and Regulations Appendix B to Part 741, Guidance for an Interest Rate Risk Policy and an Effective Program

External and Interagency References

- FFIEC *Interagency Advisory on Interest Rate Risk Management*
- FFIEC *Interagency Advisory on Interest Rate Risk Management – Frequently Asked Questions*
- FDIC, FRB, and OCC *Joint Agency Policy Statement on Interest Rate Risk*

The NCUA Examiner's Guide for IRR references can be accessed [here](#).

Any questions regarding the "S" component may be submitted to Supervisory Manager Justin McElheney at 770-986-1643 or JMcElheney@dbf.state.ga.us.

NASCUS Names Alicia Valencia Erb VP of Member Relations

The National Association of State Credit Union Supervisors (NASCUS) announced Alicia Valencia Erb will serve in the newly created Vice President of Member Relations position. Ms. Erb most recently served as the engagement strategist at Credit Union National Association (CUNA), where she developed and implemented strategies to strengthen and deepen member engagement, retention, and affiliation. "Alicia has a wealth of experience ... working with the credit union system at all levels," said NASCUS President and CEO Lucy Ito. "She ... will help the state credit union system become stronger and ever more effective in serving both our credit union and regulator members." For more information, visit <http://www.cutoday.info/Fresh-Today/NASCUS-Names-Its-First-Ever-VP-Of-Member-Relations>.

2017 NASCUS Summit: August 29-September 1

The 2017 NASCUS Summit will be held from August 29 to September 1 at The Westin Gaslamp Quarter, San Diego, California. The Summit agenda includes a diverse group of speakers from the industry and government on a broad range of topics from Alternative Capital, Evolving Field of Membership, FinTech, and much more. You can learn more information and register to attend at <http://nascus.org/summit17/>.

NCUA to Consolidate Regional Offices from Five to Three

On July 21, 2017, the National Credit Union Administration (NCUA) announced a restructuring plan that includes the closing of its Atlanta Regional Office. For more information, see <https://www.ncua.gov/newsroom/Pages/news-2017-july-ncua-plans-restructuring.aspx>.

The Department will be closed on Monday, September 4th in observance of Labor Day.

Action on Applications for the Month

The following is a summary of official action taken on applications by state financial institutions under Title 7, Chapter 1 of the O.C.G.A. and petitions for certificate of incorporation of financial institutions and other matters of interest during the month of July 2017:

APPLICATIONS TO ESTABLISH A BRANCH OFFICE

<u>FINANCIAL INSTITUTION</u>	<u>BRANCH OFFICE</u>	<u>APPROVAL DATE</u>	<u>BEGIN BUSINESS DATE</u>
DOCO Credit Union Albany	Moultrie 1705 4 th Avenue NE Moultrie, GA 31768 Colquitt County	02-12-2016	07-10-2017
Affinity Bank Atlanta	Main Office 400 Galleria Parkway Suite 900 Atlanta, GA 30339 Cobb County	07-19-2017	
SunTrust Bank Atlanta	Magothy Gateway 155 Ritchie Highway Severna Park, MD 21146 Anne Arundel County	07-15-2016	06-02-2017
First IC Bank Doraville	Peachtree Parkway 3170 Peachtree Parkway Suwanee, GA 30024 Forsyth County	07-10-2017	
Metro City Bank Doraville	Holcomb Bridge 3280 Holcomb Bridge Road Norcross, GA 30092 Gwinnett County	07-25-2017	
Metro City Bank Doraville	Flushing 138-35 39 th Avenue Space D-1 Flushing, NY 11354 Queens County	Pending	
Pinnacle Bank Elberton	Parkway Place 1081 Parkway Place Athens, GA 30606 Oconee County	03-06-2017	06-26-2017
American Pride Bank Macon	Athens 2500 Daniels Bridge Road Building 200, Suite 1A Athens, GA 30606 Oconee County	07-12-2017	
Citizens Bank of the South Sandersville	Milledgeville 121 Executive Parkway Milledgeville, GA 31061 Baldwin County	12-20-2016	07-17-2017
The Peoples Bank of Georgia Talbotton	Buena Vista 103 North Broad Street Buena Vista, GA 31803 Marion County	06-06-2017	07-31-2017

Durden Banking Company, Incorporated Twin City	Millen 815 Highway 25 North Millen, GA 30442 Jenkins County	01-12-2016	07-13-2017
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APPLICATIONS TO CHANGE LOCATION

<u>FINANCIAL INSTITUTION</u>	<u>CHANGE LOCATION OF</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
SunTrust Bank Atlanta	East Clearwater From: 2150 Cleveland Street Clearwater, FL 33765 Pinellas County To: 2100 Gulf to Bay Boulevard Clearwater, FL 33765 Pinellas County	07-17-2017	
SunTrust Bank Atlanta	Woodruff Park From: 25 Park Place NE Atlanta, GA 30303 Fulton County To: 26 Peachtree Street NW #CU-1 Atlanta, GA 30303 Fulton County	12-23-2016	07-14-2017

FINANCIAL INSTITUTION MERGERS

<u>FINANCIAL INSTITUTION (SURVIVOR)</u>	<u>MERGED INSTITUTION</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
PrimeSouth Bank Blackshear, GA	Atlantic National Bank Brunswick, GA	Pending	
United Community Bank Blairsville, GA	Four Oaks Bank & Trust Company Four Oaks, NC	Pending	
United Community Bank Blairsville, GA	Horry County State Bank Loris, SC	06-13-2017	07-31-2017
Entegra Bank Franklin, NC	Chattahoochee Bank of Georgia Gainesville, GA	Pending	
State Bank and Trust Company Macon, GA	AloStar Bank of Commerce Birmingham, AL	Pending	
The Piedmont Bank Norcross, GA	Mountain Valley Community Bank Cleveland, GA	Pending	
Guardian Bank Valdosta, GA	Pelham Banking Company Pelham, GA	Pending	
CharterBank West Point, GA	Resurgens Bank Tucker, GA	07-18-2017	

**APPLICATIONS TO BECOME A BANK HOLDING COMPANY
AND/OR TO ACQUIRE VOTING STOCK OF A FINANCIAL INSTITUTION**

<u>BANK HOLDING COMPANY</u>	<u>TO ACQUIRE</u>	<u>APPROVAL DATE</u>
United Community Banks, Inc. Blairsville, GA	Four Oaks Fincorp, Inc. Four Oaks, NC	Pending
WB&T Bankshares, Inc. Waycross, GA	Pelham Banking Company Pelham, GA	07-31-2017
Charter Financial Corporation West Point, GA	Resurgens Bancorp Tucker, GA	07-18-2017

DBF Outreach and Upcoming Speaking Engagements

Community Bankers Association of Georgia Banker Regulatory Forum: 3rd Quarter “Safety & Soundness” – Deputy Commissioner for Supervision Melissa Sneed participated in the Banker Regulatory Forum held at Idle Hour Country Club, Macon, Georgia, on August 3rd. Visit <http://www.cbaofga.com/banker-regulatory-forum.html> for more information.

Georgia Bankers Association Compliance Conference –

Deputy Commissioner for Supervision Melissa Sneed will speak at the Compliance Conference, to be held at the Professional Sciences Conference Center of Middle Georgia State University, Macon, Georgia, on September 20th. For more information, visit <http://www.gabankers.com/>.

Georgia Bankers Association President/CEO Conference –

Commissioner Kevin Hagler will speak at the President/CEO Conference, to be held at The Ritz-Carlton Lodge, Reynolds Plantation, Greensboro, Georgia, on October 3rd. For more information, visit <http://www.gabankers.com/>.

The Department is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit unions, state-chartered trust companies, and bank holding companies that own Georgia state-chartered financial institutions. The Department also has responsibility for the supervision, regulation, and examination of Merchant Acquirer Limited Purpose Banks chartered in Georgia.

In addition, the Department has regulatory and/or licensing authority over mortgage brokers, lenders and processors, mortgage loan originators, check cashers, sellers-issuers of payment instruments, money transmitters, and international banking organizations.

Our **Mission** is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

Our **Vision** is to be a willing and able partner with our regulated entities in order to support vibrant economic growth and prosperity in Georgia.

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